

Message Text

SECRET

PAGE 01 QUITO 01469 01 OF 02 241506 Z

43

ACTION SS-25

INFO OCT-01 ADP-00 (ADP) W

----- 014014

R 241252 Z MAR 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 6912

S E C R E T SECTION 1 OF 2 QUITO 1469

EXDIS

E. O. 11652: XGDS-4 DECLAS. 3-23-93

TAGS: PFOR, EFIN, CPRS, EC (STROUTH, HOWARD)

SUBJECT: AMCIT HOWARD STROUTH

REFS: A) STATE 043880; B) QUITO A-105 JUNE 27, 1972; C) QUITO 4737

1. STROUTH CASE IS AS MUCH, IF NOT MORE, A HIGHLY SENSITIVE POLITICAL MATTER AS IT IS A LEGAL ONE. THE POLITICAL OVERTONES HAVE BEEN FULLY REPORTED IN THE PAST AND WILL BE SUMMARIZED LATER IN THIS TELEGRAM.

2. WE HAVE CONVEYED TO STROUTH THE INFORMATION CONTAINED IN PARAS 1, 2 AND OPENING AND CLOSING OF PARA 3 OF REF A. STROUTH ASKED FOR THE OPINION IN WRITING FOR USE, HE SAID, WITH TAX COURT ON INFORMAL BASIS. WE DECLINED ON GROUNDS FOREIGN SERVICE POSTS CANNOT GIVE LEGAL ADVICE AND ON LACK OF DEPARTMENT AUTHORITY. WE ALSO HAVE MISGIVINGS ABOUT WHERE AND TO WHAT PURPOSE ANY WRITTEN COMMUNICATIONS MIGHT BE USED. MATTER WAS LEFT WITH STROUTH SAYING HE WOULD WRITE TO EMBOFF RECALLING GIST OF CONVERSATION; AND WITH EMBOFF AGREEING TO CONVEY STROUTH'S REQUEST TO DEPARTMENT FOR WRITTEN OPINION. BEFORE DEPT ACCEDES TO REQUEST, PLEASE CONSIDER RESULTS OUR INVESTIGATION TO DATE OF QUESTIONS RAISED IN REF A, COMMENTS TO US BY STROUTH ABOUT HIS CASE, AND BACKGROUND INFORMATION ON HIS PAST ACTIVITIES AND HIS POSITION VIS- A- VIS THE EMBASSY AND GOE.

3. EMBASSY HAS CONSULTED WITH AID- RETAINED LAWYER ON DISCRIMINATION AND CONFISCATION QUESTIONS POSED REF A.

SECRET

SECRET

PAGE 02 QUITO 01469 01 OF 02 241506 Z

DECREE 475 IS IN EFFECT SINCE JUNE 1972 AND IS OPERATIVE LEGISLATION IN ALL TAX CLAIMS. GOE RATIONALE FOR CHANGING ITS FORMER GUARANTEE PROCEDURE IS THAT BANK GUARANTEES ISSUED FOR 1 OR 2 YEARS FREQUENTLY EXPIRED BEFORE THE CASE WAS BROUGHT TO CONCLUSION. GOE EXECUTIVE BRANCH WISHED TO ASSURE ITSELF OF ITS ABILITY TO COLLECT AS WELL AS TO PUT BURDEN OF ACCELERATING COURT PROCESS ON THE TAXPAYER. LAWYER REPORTS THAT REFUNDED TAX CREDITS ARE COMPARABLE TO A GOE BOND; THEY BEAR INTEREST (IN THIS CASE 10 PERCENT), ARE TRANSFERABLE, AND ARE SALEABLE AT REASONABLE DISCOUNT IN MONEY MARKET. LATTER POINT, RELEVANT TO CONFISCATION ISSUE, CONTRADICTS STROUTH' S CLAIM THAT CREDITS NOT ONLY NON- TRANSFERABLE BUT NOT USABLE FOR PAYMENT INHERITANCE TAX IN EVENT THEY ARE UNUSED IN TAXPAYER' S LIFETIME. (WE ARE ATTEMPTING TO CHECK THIS POINT AGAIN THROUGH ADDITIONAL SOURCES BECAUSE OF ITS EVIDENT IMPORTANCE TO THE CONFISCATION ISSUE.) STROUTH IDENTIFIED WELL- KNOWN AMERICAN BUSINESSMEN RESIDENTS AS FACING SIMILAR TAX CASES AND ABOUT TO APPROACH EMBASSY. A CHECK WITH THESE PERSONS REVEALED THEY HAVE NO PENDING TAX PROBLEM AND AFFIRM THEIR CONFIDENCE IN ECUADOREAN TAX PROCEDURES AS APPLIED TOWARD RESIDENT AMERICAN BUSINESSMEN. SEVERAL OF THE U. S. BUSINESSMEN SAY PRIVATELY THEY ARE NOT IN THE LEAST SURPRISED TO LEARN OF STROUTH' S DIFFICULTIES IN VIEW OF LATTER' S UNSAVORY REPUTATION.

4. ON FIRST HEARING DEPARTMENT' S LEGAL OPINION, STROUTH MAINTAINED HE WAS NOT ABOUT TO COMPLY WITH DECREE 475 AS THIS WOULD BE SUCCUMBING TO BLACKMAIL AND COULD OPEN THE DOOR TO SUBSEQUENT LARGER TAX CLAIMS. HE ADMITTED GOE IS HOSTILE TO HIM, ATTRIBUTING HOSTILITY TO SOME EMBARRASMENTS HE CAUSED TO MIN NATURAL RESOURCES AND ALSO TO " PETTY COURGEOS" LEADERSHIP OF PRESENT GOVERNMENT OF " APES ." HE ASSERTED THAT HE COULD PROBABLY PUSH HIS CASE THROUGH COURT AND, WITH A PAYMENT OF \$ 3,000, WIN IT WITHIN SIX MONTHS, THUS RETRIEVING GUARANTEE. HOWEVER, HE PREFERRED TO CONFRONT GOE OVER CASE, AND IMPLIED A HOPE OF ENLISTING COURTS, AT LEAST ONE MINISTER, AND EUROPEAN AND AMERICAN EMBASSIES TO TEACH THE REGIME A LESSON AND TO SPEED ITS DOWNFALL. EMBASSY IS COMPLETELY TURNED OFF BY RAMIFICATIONS OF STROUTH' S AMBITIONS AND CONCLUDES IT IS SIMPLY NOT WISE TO TRUST THE MAN' S WORD OR HIS INTENTIONS. WE RECOMMEND THE DEPARTMENT ALSO APPROACH STROUTH MATTERS WITH EXTREME CAUTION AND MAINTAIN AS GREAT SECRET

SECRET

PAGE 03 QUITO 01469 01 OF 02 241506 Z

A DISTANCE FROM HIS AS OUR STATUTORY RESPONSIBILITIES ALLOW.

5. STROUTH IS COMPLETELY PERSONA NO GRATA WITH THE ECUADOREAN GOVERNMENT. HE ROSE FROM HIS CENTRAL EUROPEAN REFUGEE STATUS TO HIS PRESENT POSITION OF WEALTH THROUGH HIS SHREWD BUYING AND SELLING OF OIL LEASES, HOLDING COMPANIES AND MINERAL RIGHTS. IT IS WIDELY BELIEVED HE HAS STRAYED ACROSS THE BOUNDS OF LEGALITY IN HIS SINGLE- MINDED DRIVE FOR WEALTH AND POWER. IF HIS ANNUAL TAX PAYMENTS TO ECUADOR ARE AS LOW AS HE SAYS THEY ARE (1/60 OF \$12,000, I. E. \$200), THE GOE MAY HAVE GROUNDS TO SUSPECT TAX EVASION AND WE SHOULD AVOID THE APPEARANCE OF TAKING ON THE SUBSTANCE OF HIS TAX PROBLEMS.

6. HOWEVER, IT IS PROBABLY NOT HIS WEALTH PER SE THAT HAS ATTRACTED THE ATTENTION OF THE GOE; RATHER, HIS PUBLIC CONTEMPT FOR THE REGIME WHICH HE MOST IMPRUDENTLY AIRS PUBLICLY. A 1971 INTERVIEW GIVEN TO DER SPIEGEL (GERMANY), TO THE EFFECT THAT HE HAD \$5 MILLION AVAILABLE TO KEEP GOE OFFICIALS CONTENTED AND OTHER CONTEMPTUOUS UTTERINGS, PLUS HIS MASQUERADING IN 1971-2 AS A CONSULTANT TO THE MINISTRY RESOURCES, FINALLY BROUGHT A PUBLIC ATTACK UPON STROUTH IN NOVEMBER 1972 BY MINISTER OF NATURAL RESOURCES JARRIN. FOLLOWING THIS ATTACK, STROUTH FELT IT WISE TO STAY AWAY FROM ECUADOR FOR SEVERAL MONTHS.

BURNS

SECRET

ADP000
SECRET

PAGE 01 QUITO 01469 02 OF 02 241515 Z

47

ACTION SS-25

INFO OCT-01 ADP-00 (ADP) W

----- 014022
R 241252 Z MAR 73
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 6913

S E C R E T SECTION 2 OF 2 QUITO 1469

EXDIS

7 IF STROUTH' S STANDING WITH THE GOE IS BAD, IT IS NO BETTER WITH PEOPLE WHO HAVE DEALT WITH HIM IN BUSINESS.

HE IS DESPISED BY THE TEXACO- GULF LEADERSHIP, WHICH BOUGHT CONCESSIONS FROM AND GRANTED ROYALTY RIGHTS TO HIS MINAS Y PETROLEOS COMPANY. HE WAS ALSO A PROBLEM AND AN EMBARRASSMENT FOR THE COMPANIES WHICH BOUGHT CONTROLLING INTEREST IN MINAS Y PETROLEOS. THEY MADE STRENUOUS EFFORTS TO GET HIM OFF THE BOARD WHEN HE CONTINUED TO POSE BEFORE THE GOE AS THE COMPANY' S CHIEF EXECUTIVE OFFICER. HIS PARTNERS IN THE CANADIAN HOLDING COMPANIES PHOENIX AND NORSUL ALSO SPEAK AGAINST HIM IN QUITO. IN FACT, THERE IS A SUIT PENDING AGAINST STROUTH IN CANADA LODGED BY THE SEC OF SASKATCHEWAN.

8. THE EMBASSY' S DEALINGS WITH STROUTH HAVE ALSO BEEN INFELICITOUS. HE LOST HIS SECURITY CLEARANCE AS A U. S. ARMY RESERVE OFFICER IN 1965 FOR ATTEMPTING TO SELL THE SAME WORTHLESS MAPS SIMULTANEOUSLY TO TWO USG AGENCIES, HOPING TO COLLECT TWICE FOR THE SAME MERCHANDISE. IN FEBRUARY 1972 HE WROTE TO SEN. STROM THURMOND STATING THAT NEITHER THE EMBASSY NOR THE DEPARTMENT KNEW WHAT THEY WERE DOING, NOR DID THEY KNOW HOW TO DEAL WITH THE NEWLY INSTALLED MILITARY GOVERNMENT IN ECUADOR. IN VIEW OF WHAT HE CLAIMED TO BE HIS SPLENDID RELATIONS WITH GOE TOP OFFICIALS, STROUTH INVITED SEN. THURMOND TO COME TO ECUADOR TO JOIN HIM IN DIRECT DEALINGS WITH THE GOE TO RESOLVE THE FISHERIES DISPUTE.

9. IN 1970 HE ASKED THE EMBASSY TO PETITION THE STATE DEPARTMENT TO INTERVENE IN CAMBODIA ON BEHALF OF THE FAMILY OF PRINCE SIHANOUK, WHOM STROUTH NUMBERS AMONG HIS FRIENDS.

SECRET

SECRET

PAGE 02 QUITO 01469 02 OF 02 241515 Z

FOLLOWING CONSULTATION WITH EA IN THE DEPARTMENT, THE EMBASSY TOLD STROUTH THE USG WOULD NOT INTERVENE AND FURTHER EFFORTS ON HIS PART IN THIS REGARD WOULD BE AGAINST U. S. INTERESTS. STROUTH' S REACTION TO THIS WAS TO PERSUADE THEN GOE PRESIDENT VELASCO IBARRA TO SEND TELEGRAMS TO THE UN AND OTHER ENTITIES INTERCEDING FOR SIHANOUK' S FAMILY.

10. BIOGRAPHIC DATA HE HAS PROVIDED ON HIS EDUCATION AND AWARDS HAS PROVED FALSE. THE INTERNAL REVENUE AGENT VISITING QUITO IN 1973 CONCLUDED AFTER MEETING WITH STROUTH THAT AN IRS INVESTIGATION SHOULD BE UNDERTAKEN.

11. WE CONCLUDE FROM OUR DEALINGS WITH HIM THAT STROUTH WANTS TO EMBROIL AND ENTRAP THE EMBASSY AND USG. THE GOE IS CONVINCED, AND QUITE POSSIBLY WITH REASON, THAT HE HAS EVADED ECUADOREAN TAXES ON HIS ECUADOREAN PETROLEUM CONCESSION AND OTHER DEALS (HE AVERS, FOR EXAMPLE, THAT THE DEAL HE MADE WITH TEXACO WAS AN OUT- OF- ECUADOR OPERATION, BUT TEXACO TELLS US PRIVATELY THE DEAL WAS MADE RIGHT IN QUITO.) WE THINK HE MAY SOONER OR LATER BECOME A PROTECTION CASE BECAUSE OF HIS STYLE

VIS- A- VIS THE GOE, AND WE THEREFORE SUBMITTED REF B. THERE MAY COME A TIME WHEN IT COULD BE NECESSARY TO MAKE REPRESENTATIONS ON BEHALF OF STROUTH' S PROTECTION AND WELFARE AS A U. S. CITIZEN, (SUCH AS WHEN THE GOE ARRESTS HIM, AS SOONER OR LATER THEY MAY). THE COMPLEX AND CONDITIONAL TAX GRIEVANCE HE NOW POSES IS NOT, IN OUR OPINION, SUCH AN OCCASION. WE DO NOT BELIEVE THE USG SHOULD GIVE GROUNDS TO THE GOE TO THINK WE SHARE STROUTH' S FINANCIAL AND POLITICAL OBJECTIVES IN ECUADOR.

12. IN RESPONDING TO CONGRESSIONAL REFERRALS, WE RECOMMEND THAT DEPARTMENT EXPLAIN PRIVATELY TO LEGISLATORS WHY WE CANNOT RESPOND AUTOMATICALLY TO STROUTH' S PROBLEM-- AS, HOW AND WHEN HE WISHES.

13. IN VIEW OF THE FOREGOING, THE EMBASSY DOES NOT WISH TO MAKE REPRESENTATIONS TO THE GOE ON BEHALF OF MR. STROUTH, NOR EVEN REPRESENTATIONS COUCHED IN GENERAL TERMS SINCE IT WOULD BE VERY OBVIOUS TO THE GOE THAT IT IS MR. STROUTH WE WOULD BE REPRESENTING.

14. ALTHOUGH THE EMBASSY' S RECOMMENDATION IS THAT NO REPRE-
SECRET

SECRET

PAGE 03 QUITO 01469 02 OF 02 241515 Z

SENTATION BE MADE, IF, IN VIEW OF THE DEPARTMENT' S LETTER OF MARCH 15 TO SEN. THURMOND, THE DEPARTMENT FEELS THAT A REPRESENTATION MUST BE MADE, IT WOULD REDUCE THE POLITICAL COST IF THE REPRESENTATION WERE MADE TO THE ECUADOREAN EMBASSY IN WASHINGTON.
BURNS

SECRET

*** Current Handling Restrictions *** EXDIS

*** Current Classification *** SECRET

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAR 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973QUITO01469
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X4
Errors: n/a
Film Number: n/a
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730336/aaaaifgd.tel
Line Count: 262
Locator: TEXT ON-LINE
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 73 STATE 043880, 73 QUITO A-105 JUNE 27, 1972, 73 QUITO 4737
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 07 FEB 2002
Review Event:
Review Exemptions: n/a
Review History: WITHDRAWN <18-Jan-2002 by martinjw, PRIVACY>; RELEASED <07 FEB 2002 by garlanwa>; APPROVED <07 FEB 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 971222
Subject: AMCIT HOWARD STROUTH
TAGS: CPRS, EFIN, PBOR, EC, (STROUTH, HOWARD)
To: SECSTATE WASHDC
SS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005